City of Lexington 2020 Budget

Glossary of Terms

ACCRUAL ACCOUNTING The basis of accounting which recognizes revenues as they are earned and expenses as soon as a liability is incurred, regardless of related cash inflows and outflows.

AD VALOREM TAX A tax which is based on value, such as property taxes.

AUDIT An annual third party review of financial operations and procedures required by State Statutes.

BALANCED BUDGET A budget in which the sources of funds (revenues) is equal to the uses of funds (expenditures).

BASIS OF ACCOUNTING The technical term that describes the criteria governing the timing of the recognition of transactions and events.

BONDS A written promise to pay a sum of money at specified dates, including interest at a designated time.

BONDED DEBT The portion of City debt represented by outstanding bonds.

BUDGET A financial operations plan of proposed expenditures for a given period of time and the proposed revenues to finance them. Proposed expenditures must equal proposed revenues.

CAPITAL IMPROVEMENT PLAN (CIP) A plan for capital expenditures to be incurred each year for a fixed period of years and the estimated resources to finance the projected expenditures.

CAPITAL OUTLAY Expenditures resulting from the acquisition of fixed assets.

CAPITAL PROJECTS FUND A fund established to account for financial resources to be used for the acquisition or construction of major capital facilities.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) The official annual report of a government which includes combined financial statements, supporting schedules, supplementary information, extensive introductory information, and a statistical section.

DEBT An obligation resulting from the borrowing of money or the purchase of goods or services.

DEBT SERVICE FUND A fund established to account for the payment of principal and interest on debt of the City.

EMPLOYEE SERVICES The portion of the budget pertaining to employee salaries and related fringe benefits.

ENTERPRISE FUND A fund established to account for the financing of services to the general public where all or most of the costs involved are recovered primarily through user fees. (City enterprise funds are water and sewer, ice center, golf course, and storm drainage).

EXPENDITURES Disbursements for operating costs, debt service, capital outlay.

FIDUCIARY FUNDS A classification of funds that is used to account for resources that are held by the government as a trustee or agent for parties outside the government and that cannot be used to support the government's own programs.

FISCAL DISPARITIES Is a tax sharing pool created to distribute dollars to areas with modest tax capacity values.

FISCAL YEAR The twelve month period to which the annual budget applies and at the end of which the City determines its financial position. The City's fiscal year is January 1st to December 31st.

FIXED ASSETS Long-term tangible assets which are "fixed" in nature, such as building, land, and equipment.

FUND An accounting entity with a self-balancing set of accounts in which assets, liabilities, and equity are recorded for a specific activity or objective.

FUND BALANCE The difference between fund assets and fund liabilities. The fund balance can be used as a revenue source by decreasing an existing positive balance.

GENERAL FUND This fund is used to account for all general operations of the City which are necessary to provide basic governmental services.

GENERAL OBLIGATION BONDS (G.O. BONDS) Bonds that are backed by the full faith and credit of the City.

GENERAL OPERATING BUDGET The part of the operating budget which includes the general, special revenue, and capital funds. (Excludes the enterprise funds)

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) Uniform minimum standards and guidelines for financial accounting and reporting. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) A nonprofit finance professional association serving over 12,600 government finance officials.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) A seven-member board which is responsible for setting governmental accounting standards.

GOVERNMENTAL FUNDS A classification of funds that is typically used to account for taxsupported (governmental) activities. Included in this classification are the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

GRANT A contribution of cash or other asset from a government or other organization for a specified purpose, activity, or facility.

INFRASTRUCTURE Immovable assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems that are of value only to the City.

INTERGOVERNMENTAL REVENUE Revenues from other governments in the form of grants, entitlements, shared revenues, or payments in lieu of taxes.

INTERNAL SERVICE FUND A fund established to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

LEVY The total amount of taxes or special assessments imposed by the City.

LOCAL GOVERNMENT AID (LGA) Unrestricted funds distributed to Cities by the State of Minnesota.

MARKET VALUE The value determined by the County Assessor for real estate or property used for levying taxes.

MARKET VALUE HOMESTEAD CREDIT (MVHC) Credit given on residential property taxes that is equal to 0.4% of the market value up to \$304, less 0.09% times any value over \$76,000.

MODIFIED ACCRUAL ACCOUNTING The basis of accounting which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash. Revenues are recognized to the degree that they are available to finance expenditures of the fiscal period. Similarly, debt service payments and a number of specific accrued liabilities are only recognized as expenditures when payment is due because it is only at that time that they normally are liquidated with expendable available financial resources.

NET ASSETS The difference between assets and liabilities in the government-wide statement of net assets.

OPERATING BUDGET The annual financial plan for funding the costs of providing services and programs.

OTHER CURRENT EXPENSES The portion of the budget relating to general operations (supplies, maintenance, utilities, etc) excluding employee salaries.

PARKS CAPITAL FUND A fund established to account for revenues and expenditures for the purchase and maintenance of city parks.

PROGRAM An activity or operation created to achieve a specific purpose or objective.

PROPRIETARY FUND A classification of funds that is used to account for a government's business-type activities which are supported, at least in part, by fees or charges. Included in this classification are enterprise funds and internal service funds.

RESERVES Funds set aside for unanticipated expenditures or unforeseen emergencies, as well as to have adequate working capital for current operating needs to avoid short-term borrowing.

RESIDENTIAL EQUIVALENT UNIT (REU) Standardized unit of measurement used in billing utilities to property owners.

REVENUE Funds collected as income to offset operational expenses including property taxes, charges for service, licenses & permits, etc.

RISK MANAGEMENT The ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SPECIAL ASSESSMENT A levy made against a property to defray all or part of the cost of a capital improvement or service deemed to benefit that property.

SPECIAL REVENUE FUND A fund established used to account for revenue which is restricted for expenditures of a designated purpose.

TAX CAPACITY VALUE Is the taxable portion of the market value which is based on classification rates determined by the type of property tax.

TAX INCREMENT FINANCING (TIF) A financing method in which bonds are secured by the anticipated incremental increase in tax revenue resulting from the redevelopment of an area.

TAX LEVY The amount of property taxes levied to finance operations that are not funded by other sources.

TAXES Compulsory charges levied by a government to finance services performed for the common benefit.